



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE



ACCCIM's Perspective - Investing in China

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Key Agenda



GET TO KNOW YOUR BUSINESS PARTNERS



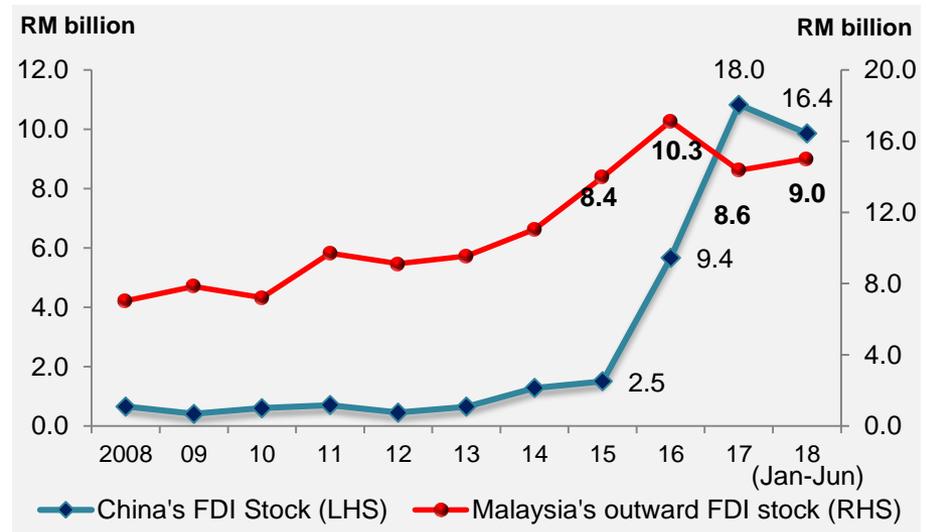
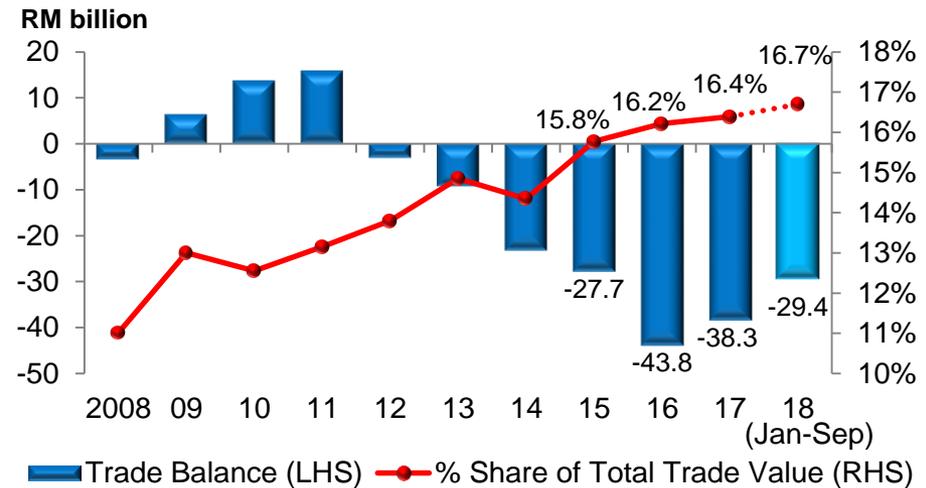
INVESTING IN CHINA: DO's and DON'Ts



HOW TO RESET MALAYSIA-CHINA PARTNERSHIP?

Malaysia-China's BILATERAL TRADE & INVESTMENT

- China is Malaysia's **largest trading partner** (16.4% of Malaysia's total external trade in 2017).
- **2nd largest exporter** (13.5% of total exports); the **largest importer** (19.6% of total imports).
- Malaysia has been incurring **trade deficits with China for seven consecutive years** since 2012, widening from RM3.1 billion in 2012 to RM29.4 billion in Jan-Sep 2018 (a deficit of RM38.3 billion in 2017).
- At end-June 2018, China's **FDI outstanding stock** stood at **RM16.4 billion or 2.8%** of Malaysia's outstanding FDI and was ranked as the **10th largest foreign investor** in Malaysia.
- Malaysia's **outward direct investment** stock in China amounted to **RM9.0 billion or 1.9%** of total. China was ranked as **the 9th largest** Malaysia's outward direct investment destination.



Source: DOSM; BNM

LANGUAGE, BUSINESS CULTURE, LEGAL and POLICIES



LANGUAGE

- Great advantage but can be a challenge
- Must “understand” the lingo and terms used
- Misunderstanding or misinterpretation



GUANXI “personal relationships”

- Critical to business success
- Right business partner
- Mutual respect, sincere and trustworthy
- Patience to build the relationship



CULTURE “sensitivity”

- Lack of understanding of local culture
- Managing “face” (mianzi)
- Business etiquettes “loss of face”
- Verbal and nonverbal cues (such as facial expressions gestures, and body language) are visible and easy to grasp

LANGUAGE, BUSINESS CULTURE, LEGAL and POLICIES



NEGOTIATION SKILLS

- Wary of China investors' negotiation skills
- Engage professional services on legal and financial matters
- A “verbal contract” may not be as a written one



LEGAL SYSTEM

- “Traps of unwary”
- Chinese law restricts both the choice of law and the types of resolution mechanisms that can be used in China-related commercial contracts
- Investors' protection



CENTRAL GOVERNMENT POLICY

- Overrides market forces
- Certain industries that are subject to ‘special management measures’
- Keep close tab on Foreign Investment Guidelines of the central and local government

China's FOUR STRENGTHS



MARKET

- Tap into huge market
- Demand for the product; customized
- Marketing
- Delivery services (speed)
- Communication



PEOPLE

- Mass entrepreneurship and innovation
- Entrepreneurial spirit runs deeper than just in business
- Competitive, hardworking and highly efficient



CAPITAL

- Sheer size or scale of companies
- Strong and larger balance sheet



TECHNOLOGY

- Growing strength in innovation
- A new science and technology (S&T) powerhouse



Our **Government, Businesses and Educators** must mobilise efforts to strategise, compete and prosper in the coming decades against China

Rome wasn't built in a day. Doing business in China might seem slow at first, but the rewards for those who persist will be great.

Investing in China: DO's AND DON'Ts



- Conduct initial background research
- Carry out extensive market research before entering the market
- Determine the best entry platform/routes to market and channel partners
- Conduct thorough due diligence process on prospective partners and employees
- Register trademarks in China prior to market entry



- Rely on hearsay or third-hand market information from Chinese partners
- Assume that similar market conditions apply throughout China
- Invest in a local presence prior to researching the market thoroughly
- Choose partners or employees without proper due diligence
- Assume that IP rights are automatically protected under Chinese law

MARKET ACCESS tops the list of benefits

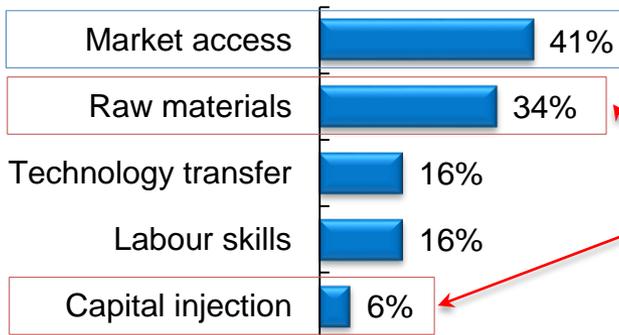


“Yes,
I have a
CBP”

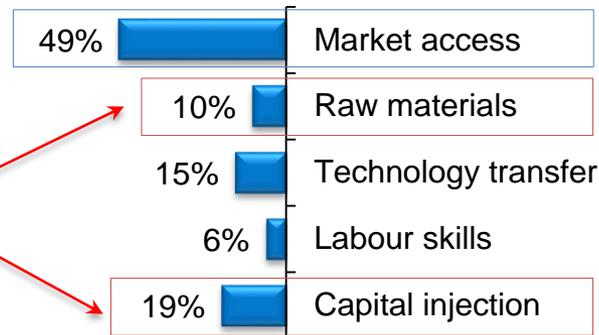


? What is the **MOST IMPORTANT** benefits or potential benefits from having a China business partner (CBP)

“No,
but plan to
engage”



Similar



Different thoughts



“Yes” group
(interviewees)

1. Chinese businesses are market leader; tapping into China’s market; increasing sales
2. Cost competitiveness and product varieties and a wide source of raw materials at reasonable price

Disparate CONSTRAINTS faced during pre- & post- engagement



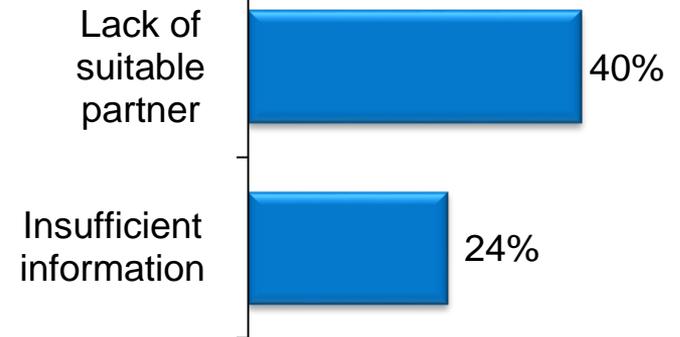
“Yes,
I have a
CBP”

? What is the **MOST IMPORTANT** constraints or potential constraints faced when dealing with CBP?

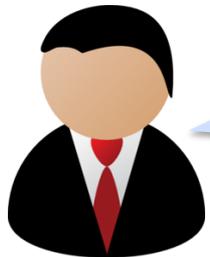
“No,
but plan to
engage”



Top 2 factors



Other constraints:

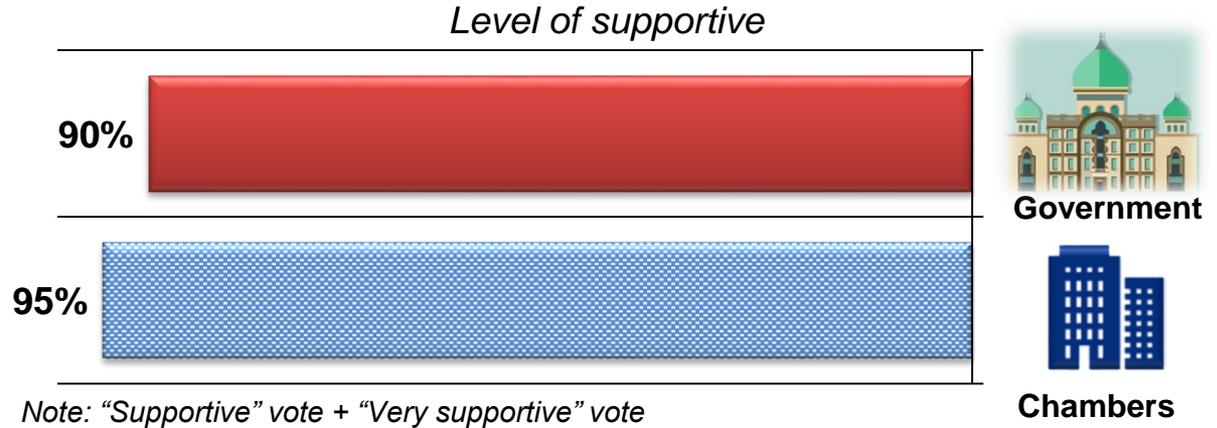


“Yes” group
(interviewees)

1. Not all Chinese companies are well prepared with their product specifications
2. Continuously monitor the quality of products to ensure consistency in delivery and meeting the products' specification as agreed upon

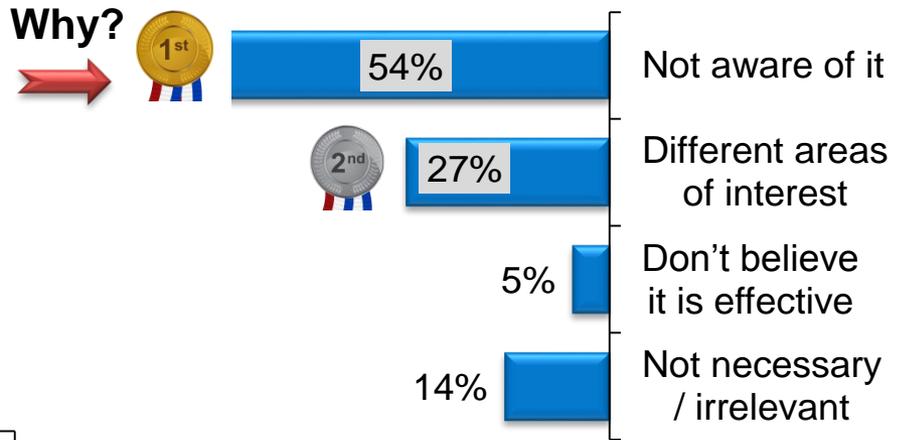
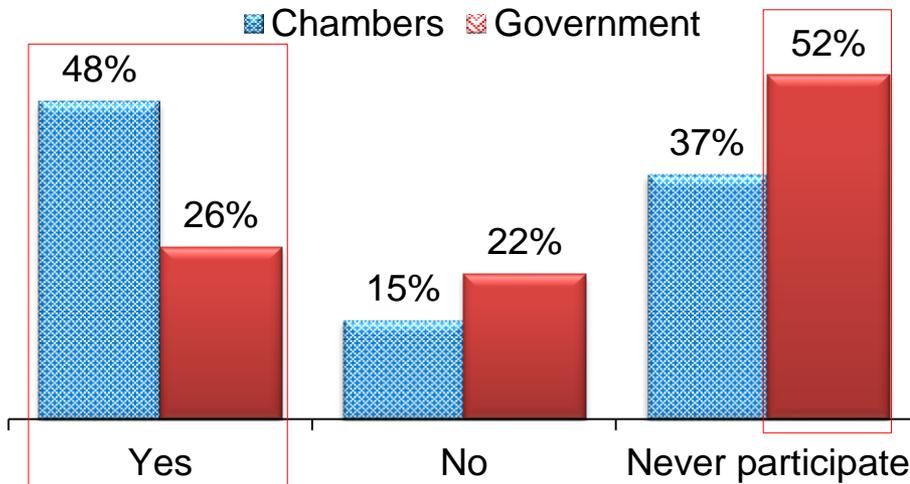
How EFFECTIVE are Government and chambers in engaging with China investors?

The **Government and chamber of commerce are supportive** when comes to engaging Chinese investors



Overall effectiveness of business matching:

Business matching organized by:



ACCCIM members greatly benefitted from INTERNATIONAL EXPO



Since 2011, ACCCIM has jointly-organised or participated in **10 exhibitions**, of which **7** were held in **CHINA**.

More than **450** booths have been set-up to promote high-quality Malaysian products.



- ACCCIM has been actively assisting Malaysian entrepreneurs to explore overseas markets
- During the 1st China International Import Expo (CIIE) held recently:



28 companies participated in the Food & Agricultural Exhibition Area

Actual Sales: RM12.9 million
Potential Sales: RM14.9 million
Total*: **RM27.8 million**



More than half participants have indicated that they will be **PARTICIPATING AGAIN**

** Based on 18 respondents*

RESETTING Malaysia-China ties

- Renew commitments; a concerted **COMMUNICATION APPROACH TO CORRECT MISPERCEPTIONS** and **SENTIMENTS**.
- A **CLEAR AND CONSISTENT POLICY CERTAINTY**. Avoid **AMBIGUOUS ANNOUNCEMENTS AND STATEMENTS** that could strain the relations of both sides
- To overcome the **FEELING OF “DISTRUST” AND MUTUAL “MISUNDERSTANDING”**, both sides should follow some guiding principles:
 - ❑ establish common standards of procedures;
 - ❑ reciprocal protection of investments;
 - ❑ enhanced communication lines and increase transparency; and
 - ❑ maximize efforts to manage and resolve differences through consultative means
- Adopt a new holistic approach to forge **NEW MODEL OF ECONOMIC AND BUSINESS PARTNERSHIPS** with China’s globalization and ‘Going out” strategy built on mutual and win-win cooperation.
- Enhanced the **ROLE OF INTERPRETER** – conversations and political statements that sometimes contain sensitive issues; a negative consequence in a bilateral relationship if they are **MISINTERPRETED OR RENDERED INCOHERENTLY**.

STRATEGIC measures to strengthen Malaysia-China ties



INSTITUTIONALISED “G-G” RELATIONSHIP

- ❑ Collaborations between Malaysian state and city governments with their counterparts in China should be encouraged.
- ❑ Senior ministers and key ministries are encouraged to make regular visits to China or engage with their counterparts to reflect our sincerity to make good relationship from both sides.



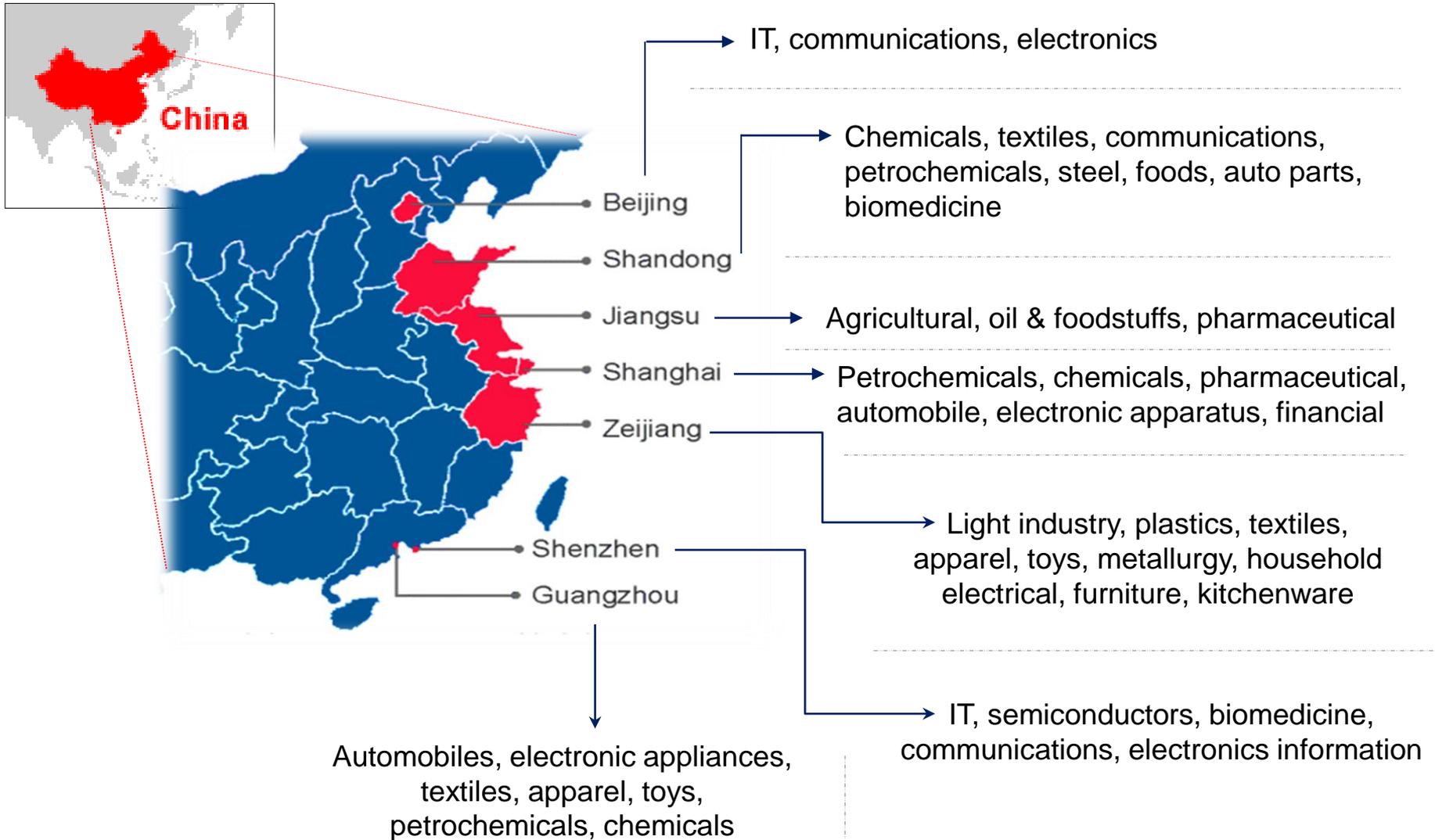
GLCs TO TAKE THE LEAD

- ❑ **Public-Private Partnership** to explore investment opportunities.
- ❑ **GLC-lead Malaysia Consortium** in areas of **technology and communications, plantation, logistics, finances, power, renewable energy as well as oil and gas sector.**



- ➔ **SET UP A SPECIAL DESK** dedicated at facilitating China investors' investment in Malaysia, in coordination and collaboration with the chambers.
- ➔ **SET UP A DEDICATED UNIT IN MATRADE** to conduct market and business intelligence services.
- ➔ **SET UP A HIGH-LEVEL TRADE FACILITATION COMMITTEE** to discuss bilateral trade issues concerning market access, tariff structures, anti-dumping as well as non-tariff barriers.

INDUSTRIAL ORIENTATION in selected cities



MALAYSIAN SMEs NEED TO STRENGTHEN INDUSTRIAL AND DIGITAL SUPPLY CHAIN TO RIDE ON “MADE IN CHINA” 2025 (中国制造 2025)

Guangdong, Hong Kong and Macao GREATER BAY AREA

- Promote economic integration in the area and to develop external links
- Spur **B2B** and **B2C** opportunities
- Forge **connectivity**



Global Bay Areas	Area (sq. km)	Population (million)	GDP per capita	Total GDP	Stock Market Capitalisation	Main industries
Greater Bay Area	56,000	66.7	US\$20 trn	US\$1.36 trn	US\$7.6 trn	Tech-innovation Financial services Manufacturing
Greater Tokyo	36,800	43.5	US\$41 trn	US\$1.8 trn	US\$5.7 trn	Advanced manufacturing wholesale & retail sector
Greater New York	17,400	23.4	US\$69 trn	US\$1.4 r	US\$30.5 trn	Financial services Real Estate Healthcare
San Francisco Bay Area	17,900	7.2	US\$99 trn	US\$0.76 trn	N.A	Tech-innovation Professional services

Source: InvestHK

MALAYSIA INNOVATION CLUSTER (MIC) of China-Malaysia Qinzhou Industrial Park

马来西亚创新城



- ACCCIM, CITIC Construction Co. Ltd., Zhongrun Economic Development Co. Ltd. and **China-Malaysia Qinzhou Industrial Park (CMQIP) Administrative Committee** have jointly-built the MIC within CMQIP. It is to promote competitive industries and excellent companies to enter CMQIP with **innovative mindset and modes, supported by various policies**.
- MIC will cover an area of about 10km², comprising international education, agglomeration, Malaysia corporate headquarters district, scientists' town, agglomeration of special competitive industries, superior residential area, etc.
- First phase (about 300 Chinese mu or 20 hectares) will be established as **agglomeration of Malaysian SMEs** and a platform offering public services to Malaysian industries, to **help and guide Malaysian SMEs to participate in the park**.

• **Various supportive policies:**

- Land-related policies
- Fiscal policies
- Taxation policies
- Labour and employment policies
- Financial policies
- Logistics subsidies
- Support to scientific and technological R&D
- Subsidies for processing trade
- Policy for electricity usage
- Social security

For more information, please log in www.qip.gov.cn



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谢谢
THANK YOU

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